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OF THE
EXECUTIVE BRANCH OF THE GOVERNMENT

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Washington, April 24 — Taxpayers could save more than \$340 million of the Government's annual bill for food and clothing through unified, efficient management and tighter inventory controls, according to the Commission on Organization of the Executive Branch of the Government. In a report on food and clothing in the Government being presented to the Congress tomorrow through its chairman, former President Herbert Hoover, the Commission calls for substantial overhauling and teamwork in this phase of Government operations particularly by the Armed Services, which account for more than \$1.7 billion of the yearly Federal outlay for subsistence.

The Hoover Commission, whose proposals in this field follow in major respects the suggestions for efficiency and economy made by the Task Force on Subsistence, cites an estimate by Joseph P. Binns, chairman of that task force, that its proposals for streamlining these operations could effect overall savings of at least 10 per cent annually in the Government's purchases and 10 per cent more in storage and handling of food and clothing. Mr. Binns is managing director of the Waldorf Astoria Hotel in New York and executive vice president of the Hilton Hotels Corporation.

The Commission points out that the figure of \$1.7 billion covers only the actual purchase of subsistence items as averaged over the past four fiscal years 1951 to 1954, inclusive, and that the overall cost is running

twice that amount, or more than \$3.4 billion, when the additional expense involved in planning, distribution, warehousing and other processes of management is added.

Among the major recommendations of the Commission are:

Creation within the Department of Defense of a central agency to handle procurement, distribution, warehousing and management of the food supply for all the Armed Services.

Establishment of a similar central agency to take over full responsibility for clothing supplies for the Armed Services.

Study by the central subsistence agency officials of the recommendations of the task force for improvement of financial controls over the supply of food and clothing for the Services.

Assumption by the General Services Administration of full responsibility for procurement and distribution of food and other common-use items for all civilian agencies in Government; and development of cross-servicing arrangements with the Army's Quartermaster General Market Center in this work.

In connection with its suggestions for controls over clothing supplies, the Commission cites data compiled by the task force showing a clothing inventory of nearly \$2.7 billion in the Department of Defense, and quotes a task force estimate that a reduction of \$1,350,000,000 is possible in this inventory with a consequent annual saving of more than \$30 million in interest charges and \$3 million more in warehousing and other expenses entailed in storing the excess stocks.

Substantial savings also might be achieved in food, where the Commission expresses concern over the fact that stocks of certain items sometimes are held in storage for years and virtually ignored while fresh additional stocks are being purchased and used up. The total inventories of food for the three Services were found to exceed \$200 million.

The Commission at the outset emphasizes that, starting with the provisions of the National Security Act of 1947, the Congress has given the Secretary of Defense all the power necessary to "unify, coordinate and integrate procurement and supply management in the Armed Services," but explains that the task force found, at the time of its studies, "little more semblance of unification in the supply of food and clothing" than before the legislation to that end was put into effect.

The task force cited "great waste, duplication, overlapping and an unnecessary number of agencies concerned with food and clothing." It found the Navy holding onto old packs and supplies of food while other Services needed and were buying current packs. It reported "complete lack of teamwork between purchasing and stock management functions with the result that the right hand doesn't know what the left hand is doing."

The Commission notes evidence that Department of Defense directives aimed at uniform procedure, improved service and cross-servicing have been effective "only in secondary matters" with each branch of the Armed Services apparently inclined to ignore some of these orders and pursue its own course.

It quotes a letter written in 1952 by Robert Lovett, who was then Secretary of Defense, to President Truman in which Mr. Lovett admitted

the clear authority of his office to step in where necessary in the field of supply, warehousing and issue, but pointed out the difficulties encountered "where certain ardent separatists occasionally pop up with the suggestion that the Secretary of Defense play in his own back yard and not trespass on their separately administered preserves."

The Subsistence Task Force gave high praise to procurement operations of the Army's Quartermaster General Market Center, which is charged with the job of purchasing subsistence for all the Services.

The group explained, however, that the Market Center could not carry on its work with complete efficiency under the present set-up of "divided inventory, warehousing and distribution systems" maintained independently by the three Services.

Under this arrangement, the task force found cross-servicing between the military departments often has been neglected or ignored, except for inspections at point of origin or purchase. Complete lack of concern, it said, was evident at some depots over apparent excess stocks. Ration costs varied widely, it added, in the different services, and standardization was absent even in the basic items of footwear, clothing and related textile goods.

The Commission notes a shortage of high-calibered, broadly-trained personnel in the food and clothing fields in the Armed Services, and reports that constant rotation of military personnel, bringing in many persons not previously familiar with subsistence, results in costly and in effect continuous on-the-job training programs.

Under the Commission's plan the centralized subsistence units would make all food and clothing purchases for the Services on a negotiated-

contract basis, after notice of intent to purchase, rather than by the slower, more costly and cumbersome advertisement-and-bid method. It would establish and maintain central inventory records, consolidate and have charge of all warehouse and food depots, both dry and refrigerated, and issue supplies to bases of all Services as the Services might designate. It would also set up uniform ration and master menu systems applicable to the whole military establishment, standardize clothing and clothing allowances, and provide for military-career training and service in the subsistence fields.

The magnitude of the problem of feeding and clothing the military today is pointed up by the Commission in figures showing that it involves the serving of nearly 10 million meals daily and providing at least 7 million complete sets of clothing and other apparel annually, while holding further substantial amounts in reserve.

The average of 1951-54 expenditures indicates that the cost of food purchased for the Army is running about \$585,696,000 a year; for the Navy, \$280,000,000; and for the Air Force, \$238,609,000.

For clothing, the Army has been spending \$379,300,000 in an average year, although the amount in the fiscal year 1954 was cut to \$176,170,000; the Navy average is \$104,966,000, but the bill for 1954 was down to \$81,632,000; and the Air Force average for the four years is \$111,147,000, with the 1954 expenditure listed at \$78,309,000.

In the Army alone the inventory of operational apparel supplies as of June 30, 1954, was found to be \$464,300,000, and its reserve stocks of apparel amounted to \$837,362,000. The task force found too many Service depots in operation, and "tremendous" quantities of depot stocks believed to be far in excess of what was needed for the operating levels set by the Armed Services.

Operational items, not including large reserve stocks, included 2.8 years' supply of wool serge garrison caps and 4.4 years' stock of wool taupe garrison caps; and 10.6 years' supply of women's wool serge taupe uniforms.

The Navy had in its operational inventory on the same date 8.1 years' supply of blue trousers, and enough blue (not dress) jumpers to last for 9.3 years at the current rate of issue.

In the Air Force operational stocks were enough blue coats to supply the personnel in that branch of the Service for 3.6 years; blue jackets sufficient for 5.3 years; enough blue wool trousers to last 3.6 years, and 4.2 years' supply of blue overcoats.

The Marine Corps at current strength could be equipped with green coats for 3.2 years from the stocks then on hand, and its stock of green trousers was sufficient for 3.5 years.

Enough W.A.F. wool jackets to fill the needs for 4.9 years, and W.A.F. wool slacks to take care of the personnel in that branch for 4.5 years, were in stock.

In the matter of food, the task force found that the fourteen Naval Supply depots in this country in 1954 had on hand 886,020 pounds of canned hamburger, of which 97,643 pounds were bought in 1950 and

221,638 pounds in 1951. At the present rate of consumption this supply would be enough to last for 719 months.

The task force also found in these depots, 1,330,026 pounds of canned beef and gravy, some of which was bought as far back as 1948. The supply would last for 79 months at the recent rate of use. The same depots had enough canned ham chunks to last for 75 months at the rate this item has been consumed by the Navy. Much of it dates back to 1950 and 1951.

In its suggestion for general use of a master menu and uniform basic ration for the Services, the Commission says it cannot understand why the Navy allows 50 per cent more potatoes in its ration schedule or why the Army allows twice as many eggs as the Navy.

When it created the General Services Administration more than five years ago, Congress gave that agency responsibility for the procurement and supply of food and common-use items for all civilian agencies in Government. In connection with this work, the G.S.A. operates twelve depots and ten regional offices. It is now purchasing only about \$19 million worth of food annually. The Veterans Administration, which does its own buying, spent more than \$51 million in the fiscal year 1954 on food.

"While the Veterans Administration accounts for approximately 73 per cent of the civilian subsistence purchasing program, it has refused to accept the intent of the law," the Commission comments.

The V.A. has about 175 persons engaged in buying fresh provisions for its supply system, and operates three warehouses for non-perishable foods, one of which adjoins a G.S.A. warehouse in Wilmington, Calif.

With the aim of simplification, savings, elimination of competition between agencies for similar items, and improved inspection service, the Commission agrees with the Task Force that the concept of procurement by one agency of all subsistence and common-use items for civilian agencies (except that of the Department of Agriculture in connection with the price-support program) is sound and should be carried out.

The G.S.A. reported to the task force that it believed under centralized food procurement for civilian agencies about \$1.2 million could be saved annually merely by inclusion of the amounts now acquired from wholesalers and dealers in the purchases from canners and packers.

The Commission explains that its report, and the studies of its task force, are directed at improvement and modernization of the subsistence systems now in use.

Many of the weaknesses of the supply systems of the Services, it points out, are holdovers from "war and emergency action, and the inheritance of legislation ill adapted to the new version of unification and more modern business methods." Elimination of these defects, the Commission adds, requires "a revision of the laws in the light of growth, of new concepts, and of progressive business experience."

Dissents were made by Commissioners Brownell, Farley and Holifield on sections (b) of recommendations 1 and 2, which provide for the purchase of food and clothing by "notice of intent to purchase and negotiated contract." All three commissioners held that competitive bidding should be retained.

Serving with Mr. Binns on the Task Force on Subsistence were Vallee O. Appel, of Chicago, president of the Fulton Cold Storage Company;

George H. Coppers, of New York, president of the National Biscuit Company; Andrew J. Crotty, of Boston, Mass., president of Crotty Bros., Inc.; Howard B. Cunningham, of New York, vice president in charge of procurement for the National Biscuit Company; James McB. Garvey, of Cincinnati, president of the American Laundry Machinery Company of Cincinnati; John L. Hennessy, of New York, formerly chairman of the board of the Hotels Statler Company and now vice president of the Hilton Hotels Corporation; Clifford E. Hicks, of New York, president of the New York Dock Company; Ollie E. Jones, of Chicago, executive vice president and director of Swift & Co.

Also John H. Kraft, of Chicago, vice president and director of the National Dairy Products Corporation; Herbert F. Krimendahl, of Indianapolis, president of Stokely-Van Camp, Inc.; Joseph A. Lee, of Greenwich, Conn., who recently retired as first vice president and director of Standard Brands, Inc.; John T. McCarthy, of Toledo, Ohio, president of the Jersey Bread Company of Toledo; George M. Mardikian, of San Francisco, restaurateur who had charge of feeding delegates to the 1945 United Nations Conference in San Francisco; Perry M. Shoemaker, of New York, president of the Lackawanna Railroad; and Gordon A. Stouffer, of Cleveland, restaurateur. The Subsistence Task Force staff director was C. D. Bean, merchandising and inventory control executive, of Barrington, Ill.

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The Task Force report will be available later.